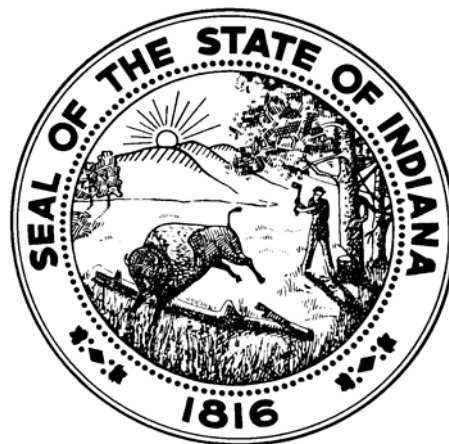


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT  
OF

NORTHWEST INDIANA HEALTH  
DEPARTMENT COOPERATIVE  
LAKE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
03/12/2007



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#### SCHEDULE OF OFFICIALS

| <u>Office</u>         | <u>Official</u>  | <u>Term</u>                                  |
|-----------------------|--|--|
| Executive Director    | Dr. Adolphus Anekwe<br>Dr. Ricardo Hood                    | 01-01-05 to 10-31-06<br>11-01-06 to 12-31-07 |
| Chief Fiscal Officer  | Charles Pacurar  | 01-01-05 to 12-31-07                         |
| Chairman of the Board | Mayor Shirley Wadding<br>Commissioner Roosevelt Allen, Jr. | 01-01-05 to 11-21-06<br>11-22-06 to 12-31-07 |
| Project Director      | Rise Ross Ratney   | 01-01-05 to 12-31-07                         |



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE NORTHWEST INDIANA HEALTH  
DEPARTMENT COOPERATIVE, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities and the major fund of the Northwest Indiana Health Department Cooperative (Health Department Cooperative), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Health Department Cooperative's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Health Department Cooperative's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Health Department Cooperative prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities and the major fund of the Health Department Cooperative as of December 31, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Health Department Cooperative taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

The Schedule of Funding Progress and the Budgetary Comparison Schedules, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Health Department Cooperative has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Department Cooperative's basic financial statements. The Schedule of Capital Assets is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of Capital Assets has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

January 25, 2007



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TO: THE OFFICIALS OF THE NORTHWEST INDIANA HEALTH  
DEPARTMENT COOPERATIVE, LAKE COUNTY, INDIANA

We have audited the financial statements of the Northwest Indiana Health Department Cooperative (Health Department Cooperative), as of and for the years ended December 31, 2005 and 2006, and have issued our report thereon dated January 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Health Department Cooperative's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Health Department Cooperative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Health Department Cooperative's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 25, 2007

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

| Functions/Programs       | Disbursements          | Program Receipts<br>Operating<br>Grants and<br>Contributions | Net (Disbursement)<br>Receipt and Changes<br>in Net Assets |
|--------------------------|------------------------|--|--|
|                          |                        |  | Primary Government<br>Governmental<br>Activities           |
| Primary government:      |                        |  |  |
| Governmental activities: |                        |  |  |
| Health and welfare       | \$ 1,164,479           | \$ 1,364,233   | \$ 199,754   |
|                          |                        |  |  |
|                          | General receipts:      |  |  |
|                          | Other local sources    |  | 778  |
|                          |                        |  |  |
|                          | Change in net assets   |  | 200,532  |
|                          |                        |  |  |
|                          | Net assets - beginning |  | (294,931)  |
|                          |                        |  |  |
|                          | Net assets - ending    |  | \$ (94,399)  |
|                          |                        |  |  |
| <u>Assets</u>            |                        |  |  |
| Cash and investments     |                        |  | \$ (94,399)  |
|                          |                        |  |  |
| <u>Net Assets</u>        |                        |  |  |
| Unrestricted             |                        |  | \$ (94,399)  |

The notes to the financial statements are an integral part of this statement.



NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

| Functions/Programs       | Disbursements          | Program Receipts<br>Operating<br>Grants and<br>Contributions | Net (Disbursement)<br>Receipt and Changes<br>in Net Assets |
|--------------------------|------------------------|--|--|
|                          |                        |  | Primary Government<br>Governmental<br>Activities           |
| Primary government:      |                        |  |  |
| Governmental activities: |                        |  |  |
| Health and welfare       | \$ 1,071,100           | \$ 1,076,060   | \$ 4,960   |
|                          |                        |  |  |
|                          | General receipts:      |  |  |
|                          | Other local sources    |  | 1,604  |
|                          |                        |  |  |
|                          | Change in net assets   |  | 6,564  |
|                          |                        |  |  |
|                          | Net assets - beginning |  | (94,399)   |
|                          |                        |  |  |
|                          | Net assets - ending    |  | \$ (87,835)  |
|                          |                        |  |  |
| <u>Assets</u>            |                        |  |  |
|                          |                        |  |  |
|                          | Cash and investments   |  | \$ (87,835)  |
|                          |                        |  |  |
| <u>Net Assets</u>        |                        |  |  |
|                          |                        |  |  |
|                          | Unrestricted           |  | \$ (87,835)  |

The notes to the financial statements are an integral part of this statement.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUND  
For The Year Ended December 31, 2005

|   | <u>General</u>     |
|---|--------------------|
| Receipts:   |                    |
| Intergovernmental                                     | \$ 1,364,233       |
| Other   | <u>778</u>         |
| Total receipts  | <u>1,365,011</u>   |
| Disbursements:  |                    |
| Health and welfare                                    | <u>1,164,479</u>   |
| Excess of total receipts<br>over total disbursements  | <u>200,532</u>     |
| Cash and investment fund balance - beginning          | <u>(294,931)</u>   |
| Cash and investment fund balance - ending             | <u>\$ (94,399)</u> |
| <u>Cash and Investment Assets - December 31</u>       |                    |
| Cash and investments                                  | <u>\$ (94,399)</u> |
| <u>Cash and Investment Fund Balance - December 31</u> |                    |
| Unrestricted  | <u>\$ (94,399)</u> |

The notes to the financial statements are an integral part of this statement.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUND  
For The Year Ended December 31, 2006

|   | <u>General</u>     |
|---|--------------------|
| Receipts:   |                    |
| Intergovernmental                                     | \$ 1,076,060       |
| Other   | <u>1,604</u>       |
| Total receipts  | <u>1,077,664</u>   |
| Disbursements:  |                    |
| Health and welfare                                    | <u>1,071,100</u>   |
| Excess of total receipts<br>over total disbursements  | <u>6,564</u>       |
| Cash and investment fund balance - beginning          | <u>(94,399)</u>    |
| Cash and investment fund balance - ending             | <u>\$ (87,835)</u> |
| <u>Cash and Investment Assets - December 31</u>       |                    |
| Cash and investments                                  | <u>\$ (87,835)</u> |
| <u>Cash and Investment Fund Balance - December 31</u> |                    |
| Unrestricted  | <u>\$ (87,835)</u> |

The notes to the financial statements are an integral part of this statement.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Health Department Cooperative was established under the laws of the State of Indiana. The Health Department Cooperative operates under an appointed governing board. The Health Department Cooperative was formed by an Interlocal Cooperative Agreement on July 17, 1992, as authorized by Indiana Code 36-1-7. The parties to the Interlocal Cooperative Agreement are the City of Gary, City of East Chicago, City of Hammond, City of Lake Station, and Lake County. Records for the Cooperative are maintained by the City of East Chicago.

The Health Department Cooperative's financial reporting entity is composed of the Northwest Indiana Health Department Cooperative (Primary Government). There are no Blended Component Units or Discretely Presented Component Units.

In determining the financial reporting entity, the Health Department Cooperative complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Health Department Cooperative has not established any enterprise funds.

The Health Department Cooperative reports the following major governmental fund:

The general fund is the primary operating fund. It accounts for all financial resources of the general government.

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Health Department Cooperative utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Health Department Cooperative does not have any enterprise funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Health Department Cooperative's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts.

2. Operating Receipts and Disbursements

Operating receipts and disbursements include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end. Budget modifications have been made in accordance with the applicable approved grant agreements.

B. Cash and Investment Balance Deficits

At December 31, 2005 and 2006, the following fund reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

| <u>Fund</u> | <u>2005</u>        | <u>2006</u>        |
|-------------|--------------------|--------------------|
| General     | <u>\$ (94,399)</u> | <u>\$ (87,835)</u> |

Cash and investment deficits for the governmental fund arose primarily from disbursements exceeding receipts due to the reimbursement nature of the federal grant. The reimbursement type federal grant is the primary source of receipts in the governmental fund. Requests for federal grant reimbursements will be made to coincide with the disbursements, which will reduce the deficit.

III. Detailed Notes on All Funds

Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The Health Department Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

The Health Department Cooperative has health and life insurance and workmen's compensation as part of the City of East Chicago as follows:

Employees' Hospital, Life, and Workmen's Compensation

The Health Department Cooperative and the City of East Chicago have chosen to establish a risk financing fund for risks associated with medical benefits to nonunion employees, retirees, and dependents and job related illnesses or injuries to employees. The risk financing fund is accounted for in the City's Employees Hospital, Life, and Workmen's Compensation Fund, an internal service fund, where assets are set aside for claim settlements. A premium is charged to each fund that accounts for employee payroll. The total charge allocated to each of the funds is based upon each fund's number of employees. Provisions are also made for unexpected and unusual claims.

B. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Health Department Cooperative contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Health Department Cooperative authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Health Department Cooperative's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plan

|  | <u>PERF</u>  |
|--|--|
| Annual required contribution               | \$ 31,874  |
| Interest on net pension obligation         | (9,946)  |
| Adjustment to annual required contribution | <u>11,334</u>  |
| Annual pension cost                        | 33,262   |
| Contributions made                         | <u>19,740</u>  |
|  |  |
| Increase in net pension obligation         | 13,522   |
| Net pension obligation, beginning of year  | <u>(137,183)</u>   |
|  |  |
| Net pension obligation, end of year        | <u><u>\$ (123,661)</u></u>                                     |
|  |  |
| Contribution rates:                        |  |
| Cooperative                                | 2.75%  |
| Plan members                               | 3%   |
| Actuarial valuation date                   | 07-01-05   |
| Actuarial cost method                      | Entry age  |
| Amortization method                        | Level percentage of<br>projected payroll, closed               |
| Amortization period                        | 40 years   |
| Amortization period (from date)            | 07-01-97   |
| Asset valuation method                     | 75% of expected<br>actuarial value plus 25%<br>of market value |

Actuarial Assumptions

|                                    |       |
|------------------------------------|-------|
| Investment rate of return          | 7.25% |
| Projected future salary increases: |       |
| Total                              | 5%    |
| Attributed to inflation            | 4%    |
| Attributed to merit/seniority      | 1%    |
| Cost-of-living adjustments         | 2%    |



NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

|      | <u>Year<br/>Ending</u> | <u>Annual<br/>Pension Cost<br/>(APC)</u> | <u>Percentage<br/>of APC<br/>Contributed</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|------|------------------------|--|--|---------------------------------------|
| PERF | 06-30-03               | \$ 7,400                                 | 425%   | \$ (115,454)                          |
|      | 06-30-04               | 4,145                                    | 624%   | (137,183)                             |
|      | 06-30-05               | 33,262                                   | 476%   | (123,661)                             |

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS

| Public Employees' Retirement Fund |  |   |  |                          |                           |  |
|-----------------------------------|--|---|--|--------------------------|---------------------------|--|
| Actuarial<br>Valuation<br>Date    | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Excess of<br>Assets Over<br>(Unfunded)<br>AAL<br>(a-b) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | Excess<br>(Unfunded)<br>AAL as a<br>Percentage<br>of Covered<br>Payroll<br>((a-b)/c) |
| 07-01-03                          | \$ 434,958                             | \$ 233,771  | \$ 201,187   | 186%                     | \$ 399,684                | 50%  |
| 07-01-04                          | 444,232                                | 371,548   | 72,684   | 120%                     | 723,648                   | 10%  |
| 07-01-05                          | 459,742                                | 474,102   | (14,360)   | 97%                      | 756,849                   | (2%)   |

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULES  
GENERAL FUND  
For The Year Ended December 31, 2005 and  
For The Year Ended December 31, 2006

|                                  | For 2005<br>General Fund |                     |   |  | For 2006<br>General Fund |                     |   |  |
|----------------------------------|--------------------------|---------------------|---|--|--------------------------|---------------------|---|--|
|                                  | Budgeted Amounts         |                     | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) | Budgeted Amounts         |                     | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance<br>With Final<br>Budget<br>Positive<br>(Negative) |
|                                  | Original                 | Final               |   |  | Original                 | Final               |   |  |
|                                  |                          |                     |   |  |                          |                     |   |  |
| Receipts:                        |                          |                     |   |  |                          |                     |   |  |
| Intergovernmental                | \$ 1,250,000             | \$ 1,250,000        | \$ 1,364,233                              | \$ 114,233   | \$ 1,250,000             | \$ 1,250,000        | \$ 1,076,060                              | \$ (173,940)   |
| Other                            | -                        | -                   | 778                                       | 778  | -                        | -                   | 1,604                                     | 1,604  |
| Total receipts                   | <u>1,250,000</u>         | <u>1,250,000</u>    | <u>1,365,011</u>                          | <u>115,011</u>   | <u>1,250,000</u>         | <u>1,250,000</u>    | <u>1,077,664</u>                          | <u>(172,336)</u>   |
| Disbursements:                   |                          |                     |   |  |                          |                     |   |  |
| Current:                         |                          |                     |   |  |                          |                     |   |  |
| Health and welfare               | <u>1,250,000</u>         | <u>1,275,894</u>    | <u>1,164,479</u>                          | <u>111,415</u>   | <u>1,250,000</u>         | <u>1,279,898</u>    | <u>1,071,100</u>                          | <u>208,798</u>   |
| Net change in fund balances      | -                        | (25,894)            | 200,532                                   | 226,426  | -                        | (29,898)            | 6,564                                     | 36,462   |
| Cash and Investments - beginning | <u>(294,931)</u>         | <u>(294,931)</u>    | <u>(294,931)</u>                          | -  | <u>(94,399)</u>          | <u>(94,399)</u>     | <u>(94,399)</u>                           | -  |
| Cash and Investments - ending    | <u>\$ (294,931)</u>      | <u>\$ (320,825)</u> | <u>\$ (94,399)</u>                        | <u>\$ 226,426</u>  | <u>\$ (94,399)</u>       | <u>\$ (124,297)</u> | <u>\$ (87,835)</u>                        | <u>\$ 36,462</u>   |

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2005  
For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost. At this time the government has no general infrastructure assets to record.

|  | December 31,<br>2005<br>Ending<br>Balance | December 31,<br>2006<br>Ending<br>Balance |
|--|---|---|
| <u>Primary Government</u>  |   |   |
| Governmental activities:   |   |   |
| Capital assets, not being depreciated:                                 |   |   |
| Machinery and equipment  | \$ 349,637                                | \$ 349,637                                |
| Total governmental activities, capital<br>assets not being depreciated | <u>\$ 349,637</u>                         | <u>\$ 349,637</u>                         |

## NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE AUDIT RESULTS AND COMMENTS

### JOINT GOVERNING BOARD MEETINGS

During 2006, the Joint Governing Board had one meeting which took place on November 1. At this meeting the Board approved the claims paid since the last meeting on August 13, 2003. There were no Board meetings during the period August 13, 2003 to November 1, 2006.

A similar audit result and comment appeared in the prior Report B25579.

The Interlocal Cooperative Agreement, in accordance with Indiana Code 36-1-7-1 through 36-1-7-12, created the Northwest Indiana Health Department Cooperative. This agreement states: "The Governing Board shall meet at least once every six months or as necessary to accomplish the purposes of this agreement. The members of the Governing Board may, if they are unable to attend a meeting, appoint a representative to act on their behalf. This representative shall have full voting powers at such meetings."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

### NO WRITTEN CONTRACTS

Payments totaling \$56,595 and \$38,813.25 were made for transportation for participants, administrative services, and janitorial maintenance services in 2005 and 2006, respectively, without written contracts.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

### APPROVAL OF FORMS

The City of East Chicago processes the payroll for Northwest Indiana Health Department Cooperative. In 2004, the City converted to a new computerized payroll system. The Employee's Earnings Record (Form 99B) as prescribed or approved was not used.

A similar audit result and comment appeared in the prior Report B25579.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE NORTHWEST INDIANA HEALTH  
DEPARTMENT COOPERATIVE, LAKE COUNTY, INDIANA

### Compliance

We have audited the compliance of the Northwest Indiana Health Department Cooperative (Health Department Cooperative) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. The Health Department Cooperative's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Health Department Cooperative's management. Our responsibility is to express an opinion on the Health Department Cooperative's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Department Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Health Department Cooperative's compliance with those requirements.

In our opinion, the Health Department Cooperative complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006.

### Internal Control Over Compliance

The management of the Health Department Cooperative is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Health Department Cooperative's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Health Department Cooperative's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

January 25, 2007

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2005 and 2006

| Federal Grantor Agency/Pass-Through Entity<br>Program Title/Project Title | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>12-31-05 | Total<br>Federal Awards<br>Expended<br>12-31-06 |
|---|---------------------------|--|---|---|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>                       |                           |  |   |   |
| Direct Grant  |                           |  |   |   |
| Healthy Start Initiative  | 93.926                    | H49MC00083-03-00   | \$ 129,114                                      | \$ -  |
|   |                           | H49MC00083-04-00   | 1,020,894                                       | 125,918   |
|   |                           | H49MC00083-05-00   | <u>-</u>  | <u>945,182</u>                                  |
| Total for federal grantor agency  |                           |  | <u>1,150,008</u>                                | <u>1,071,100</u>                                |
| Total federal awards expended   |                           |  | <u>\$ 1,150,008</u>                             | <u>\$ 1,071,100</u>                             |

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Northwest Indiana Health Department Cooperative (Health Department Cooperative) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Health Department Cooperatives shall be conducted biennially. Such audits shall include both years within the biennial period.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

| <u>CFDA<br/>Number</u> | <u>Name of Federal Program or Cluster</u> |
|------------------------|---|
| 93.926                 | Healthy Start Initiative                  |

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE  
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2007, with Charles Pacurar, Chief Fiscal Officer; Commissioner Roosevelt Allen, Jr., Chairman of the Board; Dr. Ricardo Hood, Executive Director; and Rise Ross Ratney, Project Director.